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EXTENSION WORK IN MARKETING AND COOPERATION WITH

STATE BUREAUS OF MARKETS*

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INTRODUCTION

Marketing problems and methods of solving them are receiving an increasing amount of attention today from farmers, distributors, public agencies, consumers, and all groups interested in agriculture and the Nation's welfare. Consequently, I am particularly pleased today to have this opportunity to meet with this group of State marketing officials and discuss the role that the Extension Service is playing in the field of marketing and how we can develop the greatest degree of cooperation in our activities and those conducted by State Bureaus and Divisions of Markets under your jurisdiction.

Before proceeding further, I want you to know that we in the Extension Service are proud that this year you have honored two of our State marketing specialists by choosing Mr. G. E. Prince of South Carolina as President of the Atlantic States Division and Mr. S. B. Shaw of Maryland as President of the National Association of Marketing Officials. This in itself is an indication of our close cooperation in the work of serving farmers by assisting them to attain greater efficiency in the distribution of their products with a resultant increase in income.

SOME MARKETING PROBLEMS

The most obvious marketing problem in the minds of the majority of people involves the spread in prices received by farmers and prices paid by consumers. Both farmers and consumers are greatly interested in costs of distribution--the farmers, particularly when agricultural prices drop; and the consumers, when prices increase. For a number of years the spread between prices paid by consumers for food and prices received by producers has been widening. As shown in a recent release of the Bureau of Agricultural Economics, the cost of distributing 58 selected foods has been gradually increasing since before the War. The percentage of the consumer's food dollar which was paid for transportation, processing, and all other marketing costs has increased from an average of 45 percent for the 8-year period 1913-20 to 54 percent for the decade 1921-30, and to 59 percent for the years 1931-38. These increased costs have been brought about largely through

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duplication in marketing methods, facilities, and services; a lag in the change of fixed costs to conform to a falling price level which has prevailed during most of the period; legal barriers to interstate trade; increased costs and services in packaging, processing, and advertising; as well as a certain amount of inefficiency, speculation, and excessive waste in distribution.

Many of the increased costs in marketing have arisen from the performance of new services for consumers. One result of these new services plus other marketing functions has been to increase the percentage of our total population gainfully employed in the field of distribution nearly 600 percent between 1870 and 1930. This may be compared to an increase of approximately 275 percent for all occupations during the same period. To say offhand that the increase in costs of distribution has been necessary or unnecessary is to take a somewhat narrow view of the problem. It illustrates the point, however, that no single solution to the problem of securing greater efficiency in our system of marketing and thereby reducing distribution costs can be obtained. This task requires the cooperation of all agencies. Real efficiency in marketing might well result in lower prices to consumers, in a greater income to farmers, and in greater profits to dealers and processors.

We know, however, that in many instances, the costs of marketing add more to the cost of farm products than all the expenses incurred in production. The farmer is concerned in getting his marketing services performed at the lowest cost. With rapidly changing economic conditions, shifts in demand, and changes in transportation, resulting in necessary changes in the methods of marketing, farmers feel an increased need for more information and assistance to cope with the problems confronting them. Generally speaking, the problems in the field of marketing that are of most concern to farmers are those that have to do with the following:

1. The necessary marketing functions, methods of marketing, market outlets, and services rendered by distributors.
2. Improvement of market facilities.
3. Costs of distribution and spreads between prices received by farmers and those paid by consumers.
4. The place of cooperative institutions in the marketing system.
5. Marketing agreements and surplus purchase programs.
6. Marketing quotas and commodity loans.
7. Improvement of quality and varieties of products to meet market demands, standardization, grading, and packaging.
8. The effect and importance of consumer demand on farm prices.
9. The price level and influence of general economic conditions on the market outlet for farm products.

I shall next outline some of the work being done by the Extension Service in connection with these and other marketing problems which is directed toward assisting farmers and other groups in improving the efficiency of our marketing system and, thereby, increasing farmer income.

EXTENSION ACTIVITIES IN MARKETING

At present there are over 100 State specialists in the United States spending either full or part time on extension work in marketing. In addition to this group there are a large number of production specialists, particularly in livestock, fruits and vegetables, and dairy and poultry, who spend at least part of their time on activities pertaining to marketing. Our reports show that in cooperation with county agents and others more than twice as much marketing work is being accomplished by the Extension Service now than was reported by extension workers only a few years ago, when the Federal Farm Board was responsible for focusing the Nation's attention on the problems of agricultural marketing. The volume of work done has steadily increased from year to year until, in 1938, Extension Service representatives have helped farm people, largely through cooperative associations and groups of individuals, in the handling of products valued at more than \$640,000,000. Our reports show that assistance has been given in solving marketing problems in some 18,500 communities. In these communities more than 2,000 agricultural agents, with the help of 14,000 farmers acting as voluntary leaders in marketing work, have assisted approximately 1,200,000 farmers with marketing problems either as individuals or as members of cooperative marketing groups.

In the Federal Extension Service, three specialists, with headquarters at Washington, devote their entire time to marketing. Their work is divided on a commodity basis, although each assists with marketing programs and problems falling outside their respective specialties. Dr. W. B. Stout is responsible for livestock, wool, and grain marketing; Dr. W. B. Silcox the marketing of dairy and poultry products; and Dr. W. C. Ockey the marketing work for fruits and vegetables. Mr. W. B. Combs, another full-time Federal specialist with headquarters in Chicago, conducts an extension program in grain grading and standardization. The Extension Service has also cooperated from time to time with the Bureau of Agricultural Economics by paying the traveling expenses of certain commodity specialists, who assist State extension workers in conducting grading, processing, and other marketing demonstrations. In like manner, two specialists are cooperatively employed with the Farm Credit Administration to engage in extension work in credit. The Federal extension specialists work with State marketing specialists and other extension representatives in improving and helping with State and local marketing programs. They also cooperate with farmers' cooperative marketing and purchasing associations, farm organizations, industry groups, and various State and Federal agencies in assisting with the development of marketing programs and activities designed to help farmers.

Of course, you are familiar with the recent reorganization in the Department of Agriculture, which brings together all the Department's work in marketing and regulatory fields under coordinated direction so as to obtain greater effectiveness. The Extension Service welcomes the greater opportunities to be afforded by the reorganization of the Department to cooperate in

developing and conducting marketing programs to assist farmers. The Extension Service, both State and Federal, in the past has assisted in the educational phases of marketing agreement, surplus purchase and diversion, cooperative marketing and purchasing, and other marketing programs. Likewise, it has encouraged research and assisted marketing research agencies by taking the results of research to the field and bringing to the attention of research workers marketing problems that need study and analysis. We desire to continue our cooperation with all agencies and organizations engaged or interested in the marketing and purchasing of farm products and supplies in an effort to obtain greater efficiency in distribution.

In outlining briefly the different types of marketing work which are being undertaken in the various States, I shall attempt to group these activities around the major problems which were listed previously.

Necessary Marketing Functions, Methods of Marketing, and Services Rendered by Distributors

In order to effectively teach farmers concerning market operations and practices, a number of States during recent years have followed the policy of conducting a large number of farm groups on tours to central and terminal markets for the purpose of observing the methods of marketing and discussing with market officials the factors that make for either a strong or weak market. Such tours also make possible the study of prices as an indicator of consumer demand and the grades of products that will command the higher prices.

Numerous marketing schools and commodity marketing meetings are held each year with farmers to discuss desirable methods of marketing and the various marketing functions performed in the process of bringing farm products to consumers. In these meetings the Extension Service calls upon other Federal and State agricultural agencies for assistance in presenting to farmers information which will lead to better marketing methods and practices.

New methods of distribution lead to constantly changing emphasis on marketing problems. For example, the development of good roads and motor-truck transportation has created new problems in distribution. Extension specialists in certain States have found it necessary to establish and maintain market news services, for the daily exchange of marketing and price information, in county agents' offices located in areas producing perishable products. Such services consist of listing the names of growers having products for sale, as well as the quantity, price, and grade of the products. In addition, lists of truck operators have been compiled and circularized when harvesting gets well under way. Truck buyers are directed to sources of supplies, and farmers are assisted in making sales to these operators.

Improvement of Market Facilities

In a number of the Eastern and Southern States, particularly, marketing specialists and county agents have assisted farmers in studying their local and terminal marketing facilities and in making needed improvements. Local markets have varied widely from very rough and simple facilities for the

assembling of products for sale largely to truck buyers, to markets complete with the necessary equipment and facilities either for rail or truck movement of products. Mention might also be made of the fine work being done in several States in connection with produce auction markets. In addition to these local markets, considerable attention has been directed in several large cities, notably Philadelphia, Kansas City, and New York City, to the improvement of terminal-market facilities. Progress in the improvement of these produce markets is slow, but the work being done through the efforts of the U. S. Department of Agriculture, State Extension Services, State Bureaus of Markets, farmers, and distributors in the Philadelphia market area indicates that progress can be made in connection with this important marketing problem.

Costs of Distribution

Numerous local surveys of distribution costs, as well as discussions of these costs in farmers' meetings are undertaken by extension representatives in almost every State. An attempt is made to direct these discussions in an impartial manner so that farmers may obtain an understanding of the necessary costs of distribution, as well as of those that may appear to be excessive. Though some people may feel that individual farmers or small groups of farmers can do little by themselves to reduce distribution costs, experiences this past year have indicated that under certain conditions distributors, when shown the facts, are willing to reduce their margins. In the citrus merchandising program this year, which was participated in by large groups of retail distributors, meetings held with distributors, growers, and shippers of citrus fruit resulted in the retailers agreeing voluntarily to reduce their margins for handling this fruit.

Place of Cooperative Institutions in the Marketing System

A large percentage of the work conducted by specialists and county agents in the field of marketing takes the form of service work to cooperative marketing and purchasing associations and, in some instances, to independent marketing agencies. Generally, the approach to such work is through surveys and analyses of management policies, present and potential value of business, financing, membership relations, sales practices, competition, and other factors affecting the cost of operation. The results of such surveys are presented at the request of the cooperatives to special or annual meetings of the associations and to the managers and directors. In some instances, the requests from cooperative associations have made it necessary for marketing specialists to supply such organizations with continuous current information concerning their business.

Much assistance has been rendered cooperatives in the majority of States concerning the business-management problems of these associations. Schools have been held for managers, directors, and cooperative leaders to teach principles of better business management and efficiency in administration and operation. Marketing specialists have assisted many office managers in establishing more adequate systems of records and accounts for their associations and have helped to train the office workers to use the new systems.

Another type of work with cooperative associations has been to assist in the preparation of financial statements of receipts and expenditures and in the interpretation of such statements for the information of officials and

managers. Moreover, specialists and county agents have worked with association officials in devising methods of keeping the membership informed regarding the operation and problems of their organizations. This type of work is becoming more pronounced with the realization of its importance from a management standpoint. Assistance has also been given in helping to prepare bylaws, incorporation papers, membership agreements, and marketing contracts for associations in the process of organization. Many associations that have been operating for several years are being assisted in revising their articles of incorporation and bylaws to conform with the Capper-Volstead Act and similar laws passed by State legislatures. Another type of assistance that has been rendered cooperative groups is that of assuming leadership in the organization and operation of State and county cooperative councils. Marketing specialists have helped in planning programs, holding and participating in council meetings, and in a few instances have served as executive secretaries of State cooperative councils.

Marketing Agreement and Purchase Programs

The Division of Marketing and Marketing Agreements of the Agricultural Adjustment Administration has requested the assistance of the Extension Service in the educational phases of these programs. Dr. Ockey and Dr. Silcox from the Federal Extension Service are rendering assistance in this work. In the States, specialists and county agents hold meetings with growers prior to public hearings and referenda on marketing agreements in order to explain the provisions of the proposed agreements. In connection with the surplus-purchase programs, experience has shown the need for acquainting growers with the details of these programs prior to the time of actual purchasing, and such informational meetings have been conducted through the State Extension Services.

Improvement of Quality and Varieties of Products

to Meet Market Demands

Assistance of the production specialists in the various States has been an important factor in improving the quality and in obtaining varieties of farm products that will best meet the demand of consumers. Production and marketing specialists have worked together in programs of this kind, and joint meetings have been held in an increasing number of States. Emphasis has been placed on the necessity for supplying consumers with the kind and quality of products in demand if satisfactory prices are to be received at the time of marketing. As a follow-up to this work, many grading demonstrations have been held to show the importance of grades as a basis for selling and the relationship between grades and prices.

The Price Level and Influence of the General Economic

Situation on Market Outlets for Farm Products

Short-time outlook reports and marketing information are an important phase of marketing work now being conducted by the Extension Service. This information, which is supplied farmers in practically every State, is designed to indicate market supplies and prospective market conditions. In addition, the effect of general economic conditions upon the marketing season for a number of important crops has become an accepted and continuous part of all types of

farmer meetings and also is the subject of numerous short publications and press and radio releases.

4-H Club Work

During recent years many States have been giving a great amount of emphasis to the importance of teaching 4-H Club members and members of other young people's groups some of the principles, practices, and methods of marketing and cooperation. This type of program has taken the form of assistance in organizing and conducting schools for training 4-H Club members in marketing principles, in training club leaders in the use of marketing information and materials, in giving instruction relative to grading and stapling of cotton, and in developing the fundamentals of organizing and operating cotton pools and auction sales. 4-H Club tours to terminal and auction markets, stockyards, and processing plants, and participation in organized sales of products have been used to afford club members an insight into marketing practices. State essay contests on cooperative marketing have been sponsored by cooperative organizations and the Extension Service in several States. Marketing specialists have also given much emphasis to preparing and presenting teaching material on cooperation, marketing, price trends, and other economic information at 4-H Club summer camps.

Home Demonstration Marketing Work

A number of markets, largely in the Southern States, which have been organized by homemakers through assistance of the Extension Service, have operated successfully for a period of years. As an example, North Carolina has over 40 such markets. South Carolina also has markets in approximately 27 counties, and Tennessee, Georgia, Florida, and other States have a number of markets operated largely by farm women. Extension specialists in home industries and marketing have helped farm women in developing better methods of grading, standardizing, and packaging to meet consumer demands. Though foods, including poultry, eggs, meats, and baked goods, comprise the greatest volume of sales, flowers, handicraft articles, and other home-produced products are sold in season. Sales at the farm women's markets constitute an important source of additional cash income to farm families.

SUGGESTIONS FOR FURTHER COOPERATION

In giving this brief outline of the work which the Extension Service is doing in the field of marketing, I wish to say that we acknowledge and appreciate the assistance and cooperation which is obtained in marketing work from various State and Federal agencies whose activities are directed toward marketing problems. Among these agencies, various State Bureaus of Markets contribute greatly to the work of the Extension Service in rendering assistance to farmers on their marketing problems. Because of the importance of these problems, however, we feel that even greater cooperation and assistance will be necessary in the future to adequately serve farm people. I shall list several ways in which further cooperation between the State Bureaus of Markets and the Extension Service might be developed.

Grading and Standardization

One of the most important functions of the State Bureaus of Markets concerns grading and standardization and the inspection of farm products. In connection with this work, I believe you will agree that the greatest accomplishments can be obtained when farmers appreciate the need for and see the beneficial results that can be obtained through properly grading and preparing their products to suit market demands. You all know the feeling of satisfaction an inspector has when the growers whose products he is inspecting make it his job to see that their products are kept in grade. On the other hand, you all know the difficulties encountered when the inspection job becomes that of a policeman, and growers seek every opportunity to put something over on the inspector. In connection with the grading and standardization program, the Extension Service might render greater assistance in cooperation with State Bureaus of Markets in developing increased educational work devoted to assisting growers to understand the grades and the desirability of standardization in products offered for sale. This could well be a joint undertaking of the State bureaus and the Extension Service in the various States, and though we appreciate that much of this work is now being accomplished, perhaps it could be expanded in the future with beneficial results to farmers. In addition to the inspection program, joint educational work might well be done to explain to growers the provisions of the various Federal and State acts, such as the Perishable Agricultural Commodities Act, Produce Agency Act, Standard-Container Acts, Export Apple and Pear Act, Food and Drugs Act, and various State laws which are of a regulatory nature but are designed to operate for the benefit of growers.

Producing What Consumers Want

Closely allied to the whole problem of standardization is the attempt to produce the kind and quality of products that are in greatest demand. The work of our various marketing and production specialists in the Extension Service is directed toward this end. Possibly their work can be made more effective through the cooperation of State Bureaus of Markets and other agencies whose contacts with various marketing groups offer a means of obtaining much valuable information for use in developing production to meet market requirements. We all should be constantly on the alert for changes in grades, packages, varieties of products, and the like, which will result in a more ready acceptance on the part of consumers.

Barriers to Internal Trade

We have been greatly interested in the report prepared by the Bureau of Agricultural Economics on the subject of barriers to internal trade in farm products and the position taken by commissioners of agriculture and marketing officials concerning this whole problem. The Extension Service can assist in the educational phases of this program and bring before farmers a clearer picture and better understanding of the various ramifications of the problem. However, there are other phases of the program, such as determining the need for and drafting of necessary legislation in which the efforts of State Bureaus of Markets and other interested agencies and groups can be most effective.

An Example of Industry Cooperation

A proposed program, based upon cooperation of farmers, distributors, State Bureaus of Markets, the Extension Service and other divisions of the U. S. Department of Agriculture, is under consideration and in process of development at the present time by the Northeast Vegetable and Potato Council. This organization, which is composed of grower representatives from States in the Northeast Region from Virginia to Maine, is seeking to develop a marketing program which will result in greater merchandising activities during the time of peak harvest of vegetables and other perishable crops. To do this successfully, more adequate market-news information must be assembled for the entire area, a greater degree of standardization both in production and containers will be necessary, and the distributors must act in a unified manner in conducting special merchandising programs to move peak supplies. When these become too heavy, it is hoped that the Surplus Commodity Corporation can assist in relieving the market of burdensome surpluses. This program, to be successful, will require the cooperation of State Bureaus of Markets, Extension Services, and growers in every State in the area, and their work must be coordinated so that a regional program will result. Details of this program are now being completed, and it is hoped that it will operate successfully this coming season.

CONCLUSION

I have attempted to outline briefly some of the major phases of marketing work now being conducted by the Extension Service in the various States, and some of the ways in which State Bureaus of Markets and the Extension Service can cooperate to even a greater extent in the future. We appreciate that the problems of marketing and distribution are among the most important that are now confronting farmers and feel that the combined efforts of all State and Federal agencies, farmers, farm organizations, cooperatives, and other groups are necessary to develop successfully a satisfactory way out. Therefore, I have welcomed this opportunity of discussing our work with you at this time and wish to assure you of our desire for continued and even greater cooperation between the State Bureaus of Markets and the Extension Service in conducting marketing work in the future than ever before. We shall welcome your suggestions as to how our work may be improved and coordinated, so that our joint efforts in attacking marketing problems will yield greater results.

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